

FISCAL UPDATE

October 29, 2004

Legislative Services Agency

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<http://staffweb.legis.state.ia.us/lfb>

OCTOBER REVENUE ESTIMATING CONFERENCE MEETING

REC Meeting

The Revenue Estimating Conference (REC) met on October 11 and increased the FY 2005 estimated net General Fund receipts by \$124.0 million and established an initial revenue estimate for FY 2006.

FY 2005



The REC estimate for FY 2005 net General Fund receipts is now \$4.726 billion, an increase of \$42.5 million compared to actual FY 2004. Major changes from the March estimate include:

- Tax law and other changes have been incorporated into the FY 2005 estimate. Three major changes reduced FY 2005 revenue by an estimated \$139.5 million, including:
 - Bonus Depreciation and Section 179 Expensing, negative \$57.9 million.
 - Utility Sales Tax Phase-out Restoration, negative \$63.4 million.
 - Withholding table changes (effective April 2005), negative \$18.2 million.
- A \$70.8 million increase in income tax receipts. The projected income tax revenue increase compared to FY 2004 is now \$102.2 million. Income tax revenue increased \$53.1 million through October 11. Depreciation changes and withholding tax table revisions are projected to reduce revenue growth in the second half of the fiscal year.
- A \$40.7 million increase in corporate tax receipts. The projected corporate tax revenue increase compared to FY 2004 is now \$5.6 million. Corporate tax revenue has increased \$19.8 million through October 11. Depreciation changes are projected to reduce revenue growth in the second half of the fiscal year.
- A \$20.2 million increase in insurance tax receipts. The projected insurance tax revenue decrease compared to FY 2004 is now \$3.2 million.
- A \$4.9 million increase in the categories of Other Receipts, Transfers, and Net Accruals. The changes to these numbers relate to the timing of transfers to the General Fund from Other State funds.

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FY 2005 Revenue Estimating Conference Projection				
Dollars in Millions				
	Actual	March	October	Increase
	FY 2004	FY 2005	FY 2005	(Decrease)
		Estimate	Estimate	to Estimate
Income Tax	\$2,592.3	\$2,623.7	\$2,694.5	\$70.8
Sales/Use Tax	1,732.4	1,776.1	1,762.9	-13.2
Corporate Tax	234.8	199.7	240.4	40.7
Insurance Tax	138.2	114.8	135.0	20.2
Other Taxes	<u>228.3</u>	<u>221.9</u>	<u>222.0</u>	<u>0.1</u>
Total Taxes	\$4,926.0	\$4,936.2	\$5,054.8	\$118.6
Other Receipts	\$331.9	\$293.2	\$319.9	\$26.7
Total Taxes & Other Receipts	\$5,257.9	\$5,229.4	\$5,374.7	\$145.3
Transfers	\$57.5	\$67.2	\$96.9	\$29.7
Accruals (Net)	\$83.6	\$1.9	\$-49.6	\$-51.5
Refunds	\$-715.0	\$-696.0	\$-695.5	\$0.5
Net General Fund Receipts	<u>\$4,684.0</u>	<u>\$4,602.5</u>	<u>\$4,726.5</u>	<u>\$124.0</u>

FY 2006

The REC estimate for FY 2006 net General Fund receipts was set at \$4.837 billion, an increase of \$110.6 million compared to the REC March estimate for FY 2005.

FY 2006 Revenue Estimating Conference Projection			
Dollars in Millions			
	Estimate	October	Estimated
	FY 2005	FY 2006	FY 2006
		Estimate	Change
Income Tax	\$2,694.5	\$2,723.6	\$29.1
Sales/Use Tax	1,762.9	1,792.5	29.6
Corporate Tax	240.4	273.3	32.9
Insurance Tax	135.0	125.0	-10.0
Other Taxes	<u>222.0</u>	<u>219.1</u>	<u>-2.9</u>
Total Taxes	\$5,054.8	\$5,133.5	\$78.7
Other Receipts	\$319.9	\$294.9	\$-25.0
Total Taxes & Other Receipts	\$5,374.7	\$5,428.4	\$53.7
Transfers	96.9	66.3	-30.6
Accruals (Net)	-49.6	9.8	59.4
Refunds	-695.5	-667.4	28.1
Net General Fund Receipts	<u>\$4,726.5</u>	<u>\$4,837.1</u>	<u>\$110.6</u>

Summary Table

The following table provides a summary of the past two fiscal years and the two current REC estimates. A more detailed spreadsheet of the FY 2005 and FY 2006 estimates may be accessed on the LSA web site at: <http://staffweb.legis.state.ia.us/lfb/gre/gre.htm>.

Revenue Estimating Conference Projection				
Dollars in Millions				
	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Estimated FY 2006
Income Tax	\$2,417.6	\$2,592.3	\$2,694.5	\$2,723.6
Sales/Use Tax	1,704.5	1,732.4	1,762.9	1,792.5
Corporate Tax	237.0	234.8	240.4	273.3
Insurance Tax	142.2	138.2	135.0	125.0
Other Taxes	<u>233.9</u>	<u>228.3</u>	<u>222.0</u>	<u>219.1</u>
Total Taxes	\$4,735.2	\$4,926.0	\$5,054.8	\$5,133.5
Other Receipts	\$311.5	\$331.9	\$319.9	\$294.9
Total Taxes & Other Receipts	\$5,046.7	\$5,257.9	\$5,374.7	\$5,428.4
Transfers	129.0	57.5	96.9	66.3
Accruals (Net)	-44.8	83.6	-49.6	9.8
Refunds	-647.3	-715.0	-695.5	-667.4
Net General Fund Receipts	<u>\$4,483.6</u>	<u>\$4,684.0</u>	<u>\$4,726.5</u>	<u>\$4,837.1</u>
Year-over-year Incr./Decr.	<u>\$-198.3</u>	<u>\$200.4</u>	<u>\$42.5</u>	<u>\$110.6</u>

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

HOMELAND SECURITY FEDERAL FUNDING CHANGES

2004 Funding



Iowa is scheduled to receive \$30.0 million in federal funds as part of the Homeland Security Grant Program. In the past, the funding has been used to implement programs such as the Law Enforcement Terrorism Prevention Program and the Citizen Corps Program.

Formula Distribution

Federal legislation has been proposed that would change the formula used for the distribution of funds. Projections indicate Iowa's funding could be reduced 20.0% to 40.0% as the distribution of funds shifts from rural to more urban areas of the nation.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

STATE APPEALS BOARD – FY 2004 GENERAL FUND SETTLEMENTS

FY 2004 Settlements



The State Appeals Board, comprised of the Director of the Department of Management (DOM), the State Treasurer, and the State Auditor, approve various claims, a portion of which relate to various legal settlements.

The following table reflects the FY 2004 General Fund settlements by department.

FY 2004 General Fund Settlements

<u>Department</u>	<u>Amount</u>
Administrative Services	\$ 362,000
Corrections	1,637,000
Commerce	15,000
Economic Development	10,000
Education	189,000
Human Services	1,833,000
Inspections and Appeals	41,000
Regents	2,579,000
Natural Resources	161,000
Public Safety	(113,000)
Public Defender	534
Workforce Development	<u>1,216,000</u>
Total	<u><u>\$ 7,930,534</u></u>

DOM Web Site

For more information on the State Appeals Board, access the DOM web site at: <http://www.dom.state.ia.us/appeals/purpose.html>.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

METHAMPHETAMINE CITY AND COUNTY ORDINANCES

Local Meth Ordinances



The city of Hazelton implemented a city ordinance that imposed controls on the sale of methamphetamine precursors. In June 2004, the Attorney General's Office issued an opinion regarding local ordinances that place stronger controls on the sale of products containing pseudoephedrine and other methamphetamine precursors.

AG's Opinion

The opinion stated that Hazelton's requirement represented a legitimate exercise of the city's home rule power and is not preempted by State law.

Similar Ordinances

The cities of Marquette, McGregor, Marion, and Harrison County have passed similar ordinances. Oskaloosa and Mahaska County are in the process of adopting similar measures.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

INTERNET CRIMES AGAINST CHILDREN TASK FORCE

Federal Grant



The Department of Public Safety (DPS) received a \$300,000 federal grant from the Office of Juvenile Justice and Delinquency Program (OJJDP). The

funds were awarded through the Iowa Internet Crimes Against Children (ICSC) Task Force. The Task Force consists of local, State, and federal law enforcement agencies that work together to conduct investigations of sexually exploited children.

Digital Forensics

The DPS will use some of the funding for a new technology called regionalized digital evidence forensic analysis, and regional laboratories will be located at the Cedar Rapids and Council Bluffs Police Departments and the Polk County Sheriff's Office.

Other Agencies Involved

The following is a list of other agencies also involved with the Task Force:

- Des Moines Police Department
- Iowa City Police Department
- Iowa State University Police Department
- Linn County Attorney's Office
- Polk County Attorney's Office
- Pottawattamie County Attorney's Office
- United States (U.S.) Postal Inspection Service
- U.S. Attorney's Office in the Northern and Southern Districts in Iowa
- Federal Bureau of Investigation
- U.S. Secret Service



More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Acton (Ext. 17846)

IOWA PRISON POPULATION TEN-YEAR FORECAST

Prison Population Forecast

The Criminal and Juvenile Justice Planning Division (CJJPD), Department of Human Rights, released the report, "Iowa Prison Population Forecast: FY 2004 - FY 2014."

Report Projections

The Report indicates that if current offender behaviors and justice system trends, policies, and practices remain unchanged, the prison population will be 10,582 inmates by June 30, 2014, an increase of 22.9% over the next 10 years.

Female Prison Population



The female inmate population is expected to increase from 723 inmates on June 30, 2004, to 988 on June 30, 2014, an increase of 36.7% over the next 10 years. The female population is expected to exceed design capacity by 72.4% by June 30, 2014.

Male Prison Population

The male population is projected to be 9,594 by mid-year 2014, an increase of 21.7% over the next 10 years. The male population is expected to exceed design capacity by 40.9% by mid-year 2014.

FY 2006

Over the short term, Iowa's inmate population is expected to exceed capacity by 29.2% by the end of FY 2006. Female facilities are expected to be overcrowded 35.4%, while male facilities are expected to be overcrowded 28.7%.

Prison Capacity



The prison population forecast indicates capacity issues. Assuming current offender behaviors and justice system trends, policies, and practices remain unchanged over the next 10 years, the prison system will be operating at 143.3% of design capacity. According to the Department of Corrections (DOC), for every 1,000 increase in inmate population, a new 800-bed prison will need to be constructed. This assumes each prison will operate at 125.0% of design capacity. If the prison population requires three new 800-bed prisons, construction cost will be approximately \$50.0 million for each prison. Each prison will incur ongoing annual operating costs of approximately \$28.0 million. If three new prisons are constructed, the prison system will be operating at 108.2% of design capacity.

Slower Growth

Last year, the CJJPD projected 11,925 inmates by the end of FY 2013. The population for June 2013 is now projected to be 10,385, a decrease of 1,540 (12.9%) inmates. The slower than anticipated growth is due to a decrease in direct court commitments and fewer probation revocations to prison in FY 2004 as follows:

- Prison Admissions – Generally, all types of prison admissions have increased during the last 10 years. However, new prison admissions decreased in FY 2004 due to a decline in prison admissions of offenders not sentenced for drug crimes. Admissions for violent, property, and other offenses all decreased in FY 2004.
- Probation Revocations – These readmissions decreased by 1.6% compared to FY 2003.

Prison Factors



Factors impacting the increase in prison population include the following:

- Increase in felony charges filed – These have generally increased since FY 1999, but decreased by 3.7% during the last year.
- Increase in prison admissions.
- Increase in average length of stay in prison before release.
- Decrease in parole releases from prisons.
- Increase in Community-Based Corrections (CBC) offender populations.
- Increase in new prison admissions of drug offenders.
- Housing federal prisoners and detainees.
- The long-term effect of restricting or abolishing parole for certain crimes.

Prison Alternatives



The Report provides a summary of initiatives that may reduce the projected prison population:

- Sentencing changes or fewer direct court commitments to prison.
- Improved communication between the DOC and the Board of Parole. The Board's expectations for offender treatment should be communicated early in an

offender's sentence in order that the DOC may provide those treatment services before the offender is eligible for parole.

- Examine Iowa's sentencing policies and practices for drug offenses. For the first time, drug offenses accounted for more admissions to Iowa prisons than any other type of offense in FY 2004. There is a possibility that offenders in prison may receive substance abuse treatment safely in a CBC setting. Drug courts may divert some offenders from prison.
- Implement intermediate criminal sanctions plans. Chapter 901B, Code of Iowa, requires each CBC District Department to adopt a plan "designed to reduce probation revocations to prison through the use of incremental, community-based sanctions for probation violations."

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

CORRECTIONS BOARD MEETING

September Meeting



The Board of Corrections met on September 24. Director Maynard announced new appointments, including Jeanette Bucklew, Deputy Director, Offender Services; Dan Craig, Deputy Director, Western Region for the Department of Corrections; and Karen Herkelman, Director, First Community-Based Corrections (CBC) District Department. Director Maynard also reported that he had recently met with the Third CBC District Board of Directors and that several joint projects are being planned between Institutions and the Third CBC District Department.

Telephone Rebate Fund

Fred Scaletta requested approval to spend \$1,200 from the Telephone Rebate Fund for one-time costs that will be incurred to correct a tax issue in the software. Any telephone refunds issued to offenders are taxed. Refunds should not be taxed. The Board approved the expenditure.

Budget Reduction Impact

The Board received testimony from the wardens and the CBC District Directors regarding the impact of budget reductions and not receiving funding for FY 2005 salary adjustment costs. There will be 20.0 FTE positions laid off at the Anamosa, Oakdale, Clarinda, and Fort Dodge Correctional Facilities, and the Fourth CBC District Department. Corrections staff are also being activated in the National Guard and Reserves. Generally, staff called up for military service will not be replaced. A variety of cost-saving measures have been imposed.

FY 2006 Budget Request

The Board approved a status quo budget of \$273.7 million for FY 2006, along with a letter supporting additional funding if available. The FY 2006 status quo budget includes \$852,000 transferred from the Department of Administrative Services in FY 2005 for support costs.

Major Maintenance



The Board approved a FY 2006 capital and major maintenance request of \$58.7 million as follows:

- \$3.9 million to replace and expand the Fort Dodge Residential Facility in the Second CBC District Department.
- \$11.7 million for the 170-bed Special Needs Unit at Oakdale. This is the final appropriation for the project.

- \$3.8 million to replace the Davenport Residential Facility in the Seventh CBC District Department. This is the second of three appropriations for the project.
- \$333,000 to provide the fifth year of funding for a seven-year lease purchase agreement that funded the Fort Madison electrical upgrade.
- \$3.4 million to upgrade the food service area at the Anamosa State Penitentiary.
- \$35.6 million for major maintenance needs at the prisons and the CBC District Departments.

October Meeting

The Board also met on October 1. Warden Ken Burger provided an overview of the Fort Madison Penitentiary, explaining that the facility provides all levels of custody, ranging from minimum trustee offenders to maximum security. The Prison provides programs for domestic violence, education, substance abuse treatment, Habitat for Humanity, gardens, and work crews.

Clinical Care Unit



The Prison also has the 200-bed Clinical Care Unit (CCU) that holds mentally ill offenders. All staff were trained for the special needs of mentally ill offenders before the Unit opened, and the goal is to provide annual training. The training curriculum was developed in-house. Dr. Deol, Medical Director, explained that psychologists work during the day and there are provisions for medical care after hours. The goal is to stabilize the offenders so they can function in the general population.

Offender Programs

Deputy Director Bucklew introduced the Offender Workforce Development Specialist Training Program and team members. The Program provides training to staff teams from the CBCs and Institutions, Iowa Workforce Development, community colleges, vocational rehabilitation, and the Workforce Investment Act. The teams are trained to address the specific needs of offenders in gaining and maintaining employment. The National Institute of Corrections is sponsoring the training.

New Beginnings

Deputy Director Brimeyer introduced the New Beginnings Program staff at the Iowa State Penitentiary at Fort Madison. The pre-release Program provides substance abuse treatment, counseling, money management, and works with community partners, such as the Salvation Army.

Iowa Prison Industries

Director Roger Baysden, Iowa Prison Industries (IPI), provided an overview of operations. He reported that Iowa ranks ninth in the nation for offenders making restitution payments while in prison. He reported that IPI purchased \$8.0 million in raw materials from Iowa companies last year.

Next Meeting

The next meeting is scheduled for November 5.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

FY 2004 YEAR-END ROAD USE TAX FUND RECEIPTS

Total Receipts



The Road Use Tax Fund receipts increased \$25.3 million (2.4%) in FY 2004 compared to FY 2003. In comparing actual versus projected receipts for FY 2004, actual receipts were \$5.7 million (0.5%) lower than the Department of Transportation's (DOT's) projection. With the exception of interest, all

revenue categories in the Fund increased in FY 2004 compared to FY 2003. Receipts from driver's license fees and other or miscellaneous fees showed significant increases.

Motor Vehicle Use Tax

Motor vehicle use tax receipts for FY 2004 increased \$8.0 million (3.7%) compared to FY 2003. The increase can be attributed to the growth in new vehicle sales. New car, truck, and multipurpose vehicle sales increased 6.9% compared to FY 2003. Sales of new multipurpose vehicles and trucks increased 26.9% and 7.2%, respectively, compared to the prior 12-month period, while new-car sales decreased 5.6%.

Motor Vehicle Fuel Tax

Motor vehicle fuel tax revenues for FY 2004 increased \$5.2 million (1.3%) compared to FY 2003. The increase is primarily due to a 1.3% increase in fuel consumption compared to FY 2003. Although fuel consumption has increased over the past year, the growth rate remains modest, mainly due to the increase in the market share of ethanol. The sale of ethanol-blended gasoline increased 7.0% in FY 2004 compared to FY 2003, while regular gasoline sales decreased 7.5%. As a result, the market share of ethanol increased from 60.1% in FY 2003 to 63.5% in FY 2004. Since ethanol was taxed at 1.3 cents less per gallon than gasoline in FY 2004, increasing the market share of ethanol decreased fuel tax collections. In FY 2005, ethanol is taxed at 1.5 cents less per gallon than gasoline.

Driver's License Fees



Driver's license fees for FY 2004 increased \$5.9 million (45.4%) compared to FY 2003. The increase was primarily due to an increase in the term of driver's license issuance and a one-time surcharge fee. Effective in FY 2003, the period that a driver's license could be renewed was changed from two or four to five years. Effective in FY 2004 through FY 2008, a \$3.00 surcharge fee is collected per license in addition to the license fee. Moneys collected from the surcharge fee are used for costs associated with the rewrite of the DOT's driver's license issuance system, and for reimbursement to county treasurers for additional funds collected for each county issuance or renewal of a driver's license or non-operator identification card.

Interest

Interest income to the Road Use Tax Fund decreased 41.0% compared to FY 2003. The decrease is primarily due to a reduction in pooled interest rates. The average pooled interest rate in FY 2003 was 2.9%, while the average rate in FY 2004 was 2.1%.

Other Revenues

Other revenues experienced an increase of \$2.6 million (18.8%) in FY 2004 compared to FY 2003. Salvage theft exam fees and motor vehicle dealer licenses decreased 35.7% and 29.2%, respectively, compared to FY 2003. The decreases were offset by an increase of 42.7% in miscellaneous fees and an increase of 15.2% in waste tire management fees. Other revenues in this category include motor carrier fees, car rental tax, and oversize and overweight vehicle permits.

FY 2003 vs. FY 2004



The following table compares actual Road Use Tax Fund receipts by revenue type for FY 2003 and FY 2004. Of the total revenues, 47.5% is allocated to the Primary Road Fund, 32.5% to Secondary and Farm-to-Market Road Funds, and 20.0% to the Municipal Road Fund. Of the 47.5% allocated to the Primary Road Fund, 1.75% is transferred to a Transfer of Jurisdiction Fund and allocated to cities and counties that assume jurisdiction of certain roads.

Road Use Tax Fund Receipts
(Dollars in Millions)

<u>Description</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>\$ Change</u>	<u>% Change</u>
Motor Vehicle Use Tax	\$ 216.4	\$ 224.4	\$ 8.0	3.7%
Motor Vehicle Fuel Tax	414.9	420.1	5.2	1.3%
Registration/Title Fees	370.0	376.8	6.8	1.8%
Underground Tank Fees	20.5	20.6	0.1	0.5%
Driver's License Fees	13.0	18.9	5.9	45.4%
Interest	8.3	4.9	(3.4)	-41.0%
Other Fees	13.7	16.3	2.6	19.0%
Total Receipts	<u>\$ 1,056.8</u>	<u>\$ 1,082.0</u>	<u>\$ 25.2</u>	<u>2.4%</u>

Note: Totals may not add due to rounding

More Information

Additional information is available from the LSA upon request.

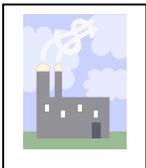
STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

REVITALIZE IOWA'S SOUND ECONOMY GRANTS AWARDED

RISE Grants

The Department of Transportation (DOT) Commission recently awarded an estimated \$1.5 million in grants from the Revitalize Iowa's Sound Economy (RISE) Program to the cities of Laurens, Fort Dodge, Council Bluffs, and Cedar Falls.

Laurens



Laurens was awarded a RISE Immediate Opportunity Grant totaling \$180,000, or up to 80.0% of the total RISE eligible project cost, whichever is less, for the grading and paving of Charles and East Streets. The project will provide access to the proposed site for Jack Link's Beef Jerky Plant. The total project cost is \$225,000, which includes a 20.0% local match of \$45,000. The grant is contingent on the creation of 97 new jobs within two years of project completion. The project will assist in providing an estimated \$4.1 million in associated capital investment.

Fort Dodge

Fort Dodge was awarded a RISE Immediate Opportunity Grant totaling \$274,000, or up to 36.0% of the total RISE eligible project cost, whichever is less, for the grading and paving of an extension of County Road P-59 (Quail Avenue). The project will provide access to the proposed site to the new

corporate headquarters for Decker Truck Line, Inc. The total project cost is \$760,000, which includes a 64.0% local match of \$486,000. The grant is contingent on the retention of 75 jobs and the creation of four new jobs within two years of project completion. The project will assist in providing an estimated \$6.9 million in associated capital investment.

Council Bluffs



Council Bluffs was awarded a RISE Local Development Grant totaling \$323,000, or up to 50.0% of the total RISE eligible project cost, whichever is less, for the grading and paving of South 19th Street in the South Pointe Commerce Park. The project will provide access to the proposed site for the Federal Express Distribution Center, and will also provide access to six other lots. The total project cost is \$646,000, which includes a 50.0% local match.

Cedar Falls

Cedar Falls was awarded a RISE Local Development Grant totaling \$722,000, or up to 50.0% of the total RISE eligible project cost, whichever is less, for the grading and paving of Viking Road, Production Drive, and Capital Way in the West Viking Road Industrial Park. The project will provide access to the proposed site for the Bossard Distribution Center, and will also provide access to 15 other lots. The total project cost is \$1.4 million, which includes a 50.0% local match.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

GOVERNOR SUSPENDS WEIGHT LIMITS FOR HAULING GRAINS

Grain Hauling

On September 24, the Governor issued a Proclamation of Disaster Emergency in response to a higher than expected harvest in certain areas of the State and an increase in the cost of diesel fuel. The average price of diesel fuel in Iowa was 37 cents higher in August 2004 than in August 2003.

Weight Limits



The proclamation suspends weight limits for hauling grains on Iowa roads, allowing farmers and grain haulers to transport up to 90,000 pounds of soybeans, corn, hay, straw, and stover on all highways, excluding interstates. Weight limits on bridges continue to apply.

Weather Conditions

The proclamation was also issued in response to other areas of the State that experienced a slow harvest due to cool weather and heavy rainfall that may have led to economic hardship.

Expiration Date

The proclamation expired on October 24. The Department of Transportation was directed by the Governor's Office to monitor the process.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Beth Mellick (Ext. 18223)

STATE SOIL CONSERVATION COMMITTEE MEETING

Committee Meeting



The State Soil Conservation Committee met on October 14 and discussed the following:

Ken Tow, Soil Conservation Division, Department of Agriculture and Land Stewardship (IDALS), explained that the FY 2005 General Fund appropriation was reduced, and funds were not available to reimburse the Soil and Water Conservation District Commissioners for mileage or other related expenses for FY 2005.

Conservation Districts

Deb Ryun, Conservation Districts of Iowa (CDI), explained that the Soil and Water Conservation District Commissioners were meeting to determine the future of the organization. The CDI Board will meet prior to the annual meeting in November to discuss their options.

Field Services

Jim Gillespie, IDALS, reported that Tony Toigo was hired to work on the State Revolving Loan Fund. Gillespie also reported that the IDALS will pay for the cost of the registration, lodging, and meals for the Soil and Water Conservation District Commissioners in attendance at the annual meeting.

Water Resources

Dean Lemke, IDALS, provided an update on the Conservation Reserve Enhancement and Protection (CREP) Program. All FY 2005 fall construction projects were delayed as the United States Army Corps of Engineers determined that the projects needed individual site permits. The other concern is from the federal Fish and Wildlife Service on the impact of the CREP structures on the Topeka Shiner. This fish is on the endangered species list and the Fish and Wildlife Service is requesting that fish ladders be installed on future CREP projects to allow fish passage. This will increase project costs and may cause additional delays for FY 2005 projects.

Iowa Learning Farms



A presentation on the Iowa Learning Farms was given by the IDALS with the objective of developing conservation plans for producers and providing field demonstrations. Program partners include the CDI, the IDALS, the Department of Natural Resources, the Iowa Farm Bureau, Iowa State University Extension, and the federal Natural Resources Conservation Services.

Next Meeting

The next meeting is scheduled for November 16.

More Information

Additional information is available from the LSA upon request. For additional information about the State Soil Conservation Committee, access the following web site at: <http://www.agriculture.state.ia.us/sccommittee.htm>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

NATURAL RESOURCE COMMISSION MEETING

Commission Meeting

The Natural Resource Commission held a teleconference meeting on October 18 and discussed the following:

Construction Projects

The following construction projects were approved:



Land Purchase

- The repair of a boat ramp at Backbone State Park for a cost of \$31,000. The damage resulted from summer flooding, and Federal Emergency Management Agency (FEMA) funds will pay for the project.
- The construction of an earth dam for sediment control in Jasper County for a cost of \$125,000. The funding will be from federal funds from the Environmental Protection Agency (EPA).
- The paving of several roadways in Brushy Creek State Park for a cost of \$319,000 with funding from the Parks Institutional Road Fund.

The Commission approved the following land purchases:

- The purchase of 64 acres located in the Little Sioux Wildlife Management Area in Clay County for the appraised price of \$100,000.
- The purchase of 30 acres in the Goose Lake Wildlife Management Area in Clinton County for the appraised price of \$105,000.
- The purchase of nine acres adjacent to the Iowa River in Iowa County for the appraised price of \$7,000.

Upland Game Birds

The Commission approved the definition of upland game birds to include ring-necked pheasant, bobwhite quail, gray partridge, ruffed grouse, and woodcock. This relates to the new regulation that requires upland game bird hunters to wear one blaze orange article of clothing while hunting.

REAP Grants



The Commission approved the following grants in the Resource Enhancement and Protection (REAP) Program:

- County Conservation Board Grants – Approved six for a total of \$895,000. The Department received 19 grant applications for a total of \$2.9 million.
- City Park Grants – Approved 18 grants for a total of \$1.7 million. The Department received 68 grant applications for a total of \$6.1 million.
- Cost Share Grants – Approved three grants for a total of \$195,000.

REAP Congress Report

The Commission approved the REAP Congress Report that was assembled by the 17 REAP Councils located across the State. The Report recommendations included:

- Directs REAP license plate revenue be returned to the REAP County Committees.
- Requires the County Committee to have an updated REAP County Plan prior to receiving any REAP funds.
- Funds the REAP at \$20.0 million.

Next Meeting

The next meeting is scheduled for November 10.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767)

ENVIRONMENTAL PROTECTION COMMISSION MEETING

October Meeting

The Environmental Protection Commission met on October 18 and discussed the following:

Water Quality Standards



The Commission approved the Final Rule that amends the State's Water Quality Standards. Changes include:

- Creates two cold water Class B use designations rather than one.
- Incorporates the Cold Water Use Designation Assessment Protocol that outlines the approach for assessing cold water uses of waterbodies.
- Applies the Sensitive Life Stage Ammonia Chronic criteria year-round to the Class B Cold Water 1 (CW1) use designation.
- Applies the Sensitive Life Stage Ammonia Chronic criteria from April 1 to September 30 to the Class B Cold Water 2 (CW2) use designation.
- Establishes Dissolved Oxygen criteria for the two new use designations.
- Corrects Dissolved Oxygen criteria to express values as milligrams per liter.
- Transfers existing Class B designated waters to the new Class B CW1 use designation.
- Makes changes to tables and other rules to conform to the two cold water Class B designations.

Lake of Three Fires

The Commission approved a multiple-year contract with the Department of Agriculture and Land Stewardship to restore the watershed in the Lake of Three Fires area. The cost is \$121,000 and will be funded with federal Environmental Protection Agency (EPA) 319 funds.

SWAP Grants

The Commission approved nine projects to receive \$787,000 in funding for the Solid Waste Alternatives Program. The Department received 21 proposals for a total of \$1.6 million.

Army Corps Agreement

The Commission approved a \$52,000 Memorandum of Agreement with the United States Army Corps of Engineers in the Rock Island District for water quality monitoring.

Hygienic Laboratory



The Commission approved the following contracts with the University of Iowa Hygienic Laboratory:

- \$1.2 million contract for water quality monitoring.
- \$414,000 contract for field monitoring and laboratory services.
- \$28,000 contract for water analysis and biological monitoring at Walnut Creek.

Regional Haze

Chad Daniel, Department of Natural Resources (DNR), provided information on regional haze and the analysis provided by the Best Available Retrofit Technology (BART). Regional haze is a visibility impairment that is not directly attributable to one emission source and is a result of overall atmospheric pollutant loading.

Final Rule

The Commission approved the Final Rule that amends the Air Quality Program. Changes include:

- Modifies exemptions from construction permits to allow burning of untreated seeds, pellets, and other vegetative materials.
- Makes date modifications to comply with federal regulations.
- Adopts 15 federal rules related to the National Emission Standards for Hazardous Air Pollutants (NESHAPs). These are national emission standards for hazardous pollutants emitted from specific classes or categories.
- Clarifies requirements for continuous monitors.
- Makes other minor corrections.

**Manure Applicators**

The Commission approved a \$139,000 contract with the Iowa State University Extension Service to provide manure applicator certification training for FY 2005.

Phosphorus Index

The Commission approved the new language to the Final Rule that requires the use of a phosphorus index in manure management plans.

Next Meeting

The next meeting is scheduled for November 15.

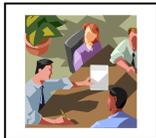
More Information

Additional information is available from the LSA upon request. For review of Commission agendas, minutes, and other related information, access the DNR web site at: <http://www.iowadnr.com/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

NEW BOARD OF REGENTS MEMBER NAMED**Board Member**

Governor Vilsack announced the appointment of a new member to the Board of Regents on September 15. Rose Vasquez will serve the remaining year of Regent Deb Turner's six-year term. Turner, a physician, resigned from the Board this summer because of job responsibilities.

Background

Vasquez is employed at the Principal Financial Group as the Diversity Consultant in the Human Resources Department. She is also the Executive Director of the Polk County Human Services Planning Alliance, serving as an "executive on loan" from the Principal Financial Group, as a part of the Greater Des Moines Partnership's Project Destiny. Vasquez joined the Principal in 2002.

Past Experience

Vasquez served as the Director of the Iowa Department of Human Rights from 1999 to 2002, and as an Assistant Attorney General in the Iowa Attorney General's Office from 1985 to 1999. She is a native of Moline, Illinois, and earned a bachelor's degree from the University of Iowa and a law degree from Drake Law School.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Mary Shipman (Ext. 14617)

CHILD WELFARE REDESIGN – COMMUNITY CARE PROVIDER REQUEST FOR PROPOSAL

Child Welfare Redesign

Senate File 453 (Reinvention of Government Act) required the Department of Human Services (DHS) to redesign child welfare and juvenile justice services into an outcome-based system with implementation to begin in January 2004. The project became known as, “Better Results for Kids in the 21st Century”.

Community Care

The implementation of the redesign involves a Community Care initiative for cases where the assessed risk of abuse is low and the child is older than the age of six. The DHS will continue to be responsible for the cases with the highest level of risk for abuse or reoccurrence of abuse.

RFP Issued



On October 14, the DHS issued a \$3.0 million Request for Proposal (RFP) for an 18-month contract with a social services provider that will utilize the Community Care approach. Families that are referred to the Community Care provider will not have a DHS case manager; however, the DHS will monitor the selected provider to ensure that desired results are achieved. Families referred to the new provider will accept short-term services on a voluntary basis, and, in many cases, will receive these from local resources currently in existence.

Case Referral

It is anticipated that DHS social workers will begin referring cases to the Community Care provider in March 2005 and it is estimated that 600 cases per month will be referred to the new provider.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

CHILDREN MENTAL HEALTH DESIGN OVERSIGHT COMMITTEE MEETING

Oversight Meeting



The Oversight Committee for the design of the children’s mental health design on behalf of the Mental Health, Mental Retardation, Developmental Disabilities, and Brain Injury Commission met on September 24 and conducted the following business:

- Announced the Department of Human Services will provide financial assistance for those who need child care in order to enable attendance at the Children Conference the Commission was hosting on October 21.
- Discussed development of analysis tools to summarize the information received at the Children Conference with Department of Education staff.
- Heard that Iowa State University Research Institute for Studies in Education (RISE) faculty and graduate students will assist the members of the Committee in facilitating the Children Conference and provide information analysis.
- Reviewed existing studies of mental health needs of children.
- Discussed methods to involve various associations that directly serve children but are not participating in the Oversight Committee effort.

- Agreed on future Committee meeting dates, including October 22, November 29, January 28, February 25, March 25, and April 22.

Future Meetings

The schedule of meetings may be accessed on the LSA web site at: http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/interim_2004_files/adultworkgroups.pdf.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

COUNCIL ON HUMAN SERVICES MEETING**Council Meeting**

The Council on Human Services met on October 13 and conducted the following business:

Admin. Rules

Approved the following Administrative Rules:

- Changes regarding past due child support. The changes have minimal fiscal impact. The annual State portion of collections will be \$60,000, which will be utilized for the Family Investment Program (FIP).
- Increases the premium paid for Medicaid eligibility for employed persons with disabilities. The rate increases by 7.3%, which results in a maximum premium of \$381 per month with a sliding fee scale based on income.
- Includes the two State Resource Centers within the Intermediate Care Facility for the Mentally Retarded (ICF/MR) assessment fee. This will generate an additional \$3.3 million in federal funds annually.
- Provides for a medical expenses deduction for eligibility in the Food Assistance Program when the potential recipient receives a Medicare prescription drug discount. The Food Assistance Program is 100.0% federally funded; therefore, there is no State fiscal impact.

Director Report

Director Concannon provided the following information:

- There is continued delay in reaching an agreement with the federal Centers for Medicare and Medicaid Services (CMS) regarding the State's Intergovernmental Transfers (IGTs).
- An update on the fiscal impact to the Iowa Medical Assistance (Medicaid) Program and the timing of the federal Medicare Part D changes.
- An update on the \$3.0 million Request for Proposal (RFP) issued in mid-October for a Community Care provider that will provide services to families that need assistance to prevent child abuse but are not considered high risk.
- An update on the Request for Proposal (RFP) issued for the child care subsidy electronic payment system.
- An update on the investigation by the Iowa Protection and Advocacy Agency and the Bazelon Center from Mental Health Law of the four Iowa Mental Health Institutes (MHIs) for seclusion and restraint issues.

Next Meeting

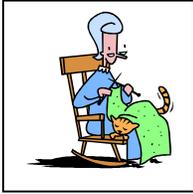
The next meeting is scheduled for November 10.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942) Jennifer Vermeer (Ext. 14611)
Sue Lerdal (Ext. 17794)

SLCU Meeting



SENIOR LIVING COORDINATING UNIT MEETING

The Senior Living Coordinating Unit met on October 15 and conducted the following business:

- Director Mark Haverland, Department of Elder Affairs, provided an update on the Long-Term Care Plan.
- Director Kevin Concannon, Department of Human Services, provided an update on the Medical Assistance Crisis Intervention Team.
- Heard a report from the legislative members of the Unit.
- Received a demonstration of the new computer system implemented through the Seamless System Project for the Case Management Program for the Frail and Elderly (CMPFE).
- Received an update on the Senior Living Program, including the FY 2004 and FY 2005 conversion grants and home and community-based services unmet needs.
- Heard other updates on the National Governor's Association (NGA) Workgroup, the Cash and Counseling Grant, Program for All Inclusive Care for the Elderly (PACE), the Aging and Disability Resource Center Grant, and the Seamless System Grant.

Next Meeting

The next meeting is scheduled for December 17.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611) Lisa Burk (Ext. 17942)

MAAC Meeting



MEDICAL ASSISTANCE ADVISORY COUNCIL MEETING

The Medical Assistance Advisory Council (MAAC) met on October 6 and received the following updates:

- An update on Medicaid enrollment and expenditures.
- An update on the Payment Accuracy Measurement Project, including the proposed Payment Error Rate Measurement regulation.
- An update on the Medical Assistance Crisis Intervention Team. The MAAC approved a motion to notify the Team that the MAAC opposes any cuts in eligibility, services, or reimbursement rates, and also supports finding additional revenue sources to support the Medicaid Program.
- An update on Iowa Health Solutions, which is one of the Medicaid managed care contractors. The update included payment timeframes in comparison to the other Health Management Organizations (HMOs), a corrective action plan, an inquiry by the Department of Commerce, Insurance Division, and a reduction in the number of counties served.

- An update on the Iowa Medicaid Enterprise and efforts to qualify as much of the project as possible for the 90.0% federal match rate and release of the Request for Proposals (RFPs) for the pharmacy point of sale system.
- An update on the FY 2006 budget request approved by the DHS Council, including a discussion of the "unmet needs" section of the Medicaid request.
- An update on the Preferred Drug List, including meeting dates for the Pharmaceutical and Therapeutic Committee and training dates from October through mid-December.

Next Meeting

The next meeting is scheduled for November 3.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

MEDICAL ASSISTANCE CRISIS INTERVENTION TEAM MEETING

Crisis Team Meeting

The Medical Assistance Crisis Intervention Team met on September 29 in Mason City. The Team heard a presentation from Deputy Insurance Commissioner Susan Voss, Department of Commerce, regarding incentives for private long-term care insurance. The Team held discussion and also heard public testimony.

Next Meeting

The next meeting is scheduled for October 26.

More Information

Additional information is available from the LSA upon request. The materials distributed at past meetings may be accessed on the following web site at: <http://www.uiowa.edu/~govrel/macit/>.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

PHARMACEUTICAL AND THERAPEUTIC COMMITTEE MEETING

Pharm. Comm. Meeting

The Pharmaceutical and Therapeutic (P&T) Committee met on September 28 and 29. House File 619 (Medical Cost Containment Act) established the Committee and required the Committee to select the prescription drugs that will be placed on the Medical Assistance (Medicaid) Program Preferred Drug List (PDL). Discussion included the following:

- Introduction of staff and Committee members.
- A presentation by Dr. Tim Clifford, Iowa Medicaid Enterprise, on the PDL and the process for creating the List.
- Public testimony from drug manufacturers, provider groups, and the public.
- Closed session for discussion among Committee members.

Next Meeting

The next meeting is scheduled for October 27 and 28.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Vermeer (Ext. 14611)

STATE CHILD CARE ADVISORY COUNCIL MEETING

Council Meeting



The State Child Care Advisory Council met on October 14 and conducted the following business:

- Reviewed the Council membership policy.
- Received an update regarding the voluntary Quality Rating System (QRS) for child care providers.
- Received an update regarding the FY 2006 Department of Human Services (DHS) budget request for Child Care, heard information on potential legislative initiatives for the 2005 Session, and reviewed the DHS use of Quality dollars.
- Received information regarding Iowans for a Better Future-Education Goal.
- Received an update from the Subcommittee working on developing a proposal for the Council's consideration on a State Child Care sliding fee versus a step fee scale.
- Discussed future planning for the Council.
- Heard updates regarding the Iowa School Age Alliance, the Early Care, Health, and Education System, transportation for child care centers, the Health Child Care Iowa, and Iowa Child Care and Early Education Activities.
- Received an update regarding Empowerment Program activities.

Next Meeting

The next meeting is scheduled for December 9.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

SPECIAL AUDIT REPORT – CENTRAL POINT COORDINATOR

Special Audit



The State Auditor released a Special Audit Report regarding the Central Point Coordinator (CPC) of Calhoun and Pocahontas Counties over a six-year period. The Calhoun County Attorney requested the audit. The Report identified \$56,000 of improper or unsupported disbursements of funds to the Central Point Coordinator, with the majority relating to travel claims, including:

- Travel claims to clients or meetings that did not occur.
- Duplicate travel claims (the two counties billed for the same claim).
- Travel costs not supported by documentation or explanation.
- Salary for time spent making personal visits to an incarcerated offender.

Recommendations

The Auditor recommended various control procedures for future accountability, including:

**Coordinator Status**

- Documentation including destination and client name for travel.
- Original invoices for mental health services disbursements to be retained by the County Auditor's Office and mailed directly from the Office.
- Disbursements for mental health services to be expended from the required Mental Health Services Fund.
- Timesheets for each employee and compliance with the federal Fair Labor Standards Act for compensatory time.

At the time of the Audit release, the Central Point Coordinator was still employed. The Pocahontas County Board of Supervisors is now inquiring with a county other than Calhoun to fulfill the duties of the Central Point Coordinator.

Additional Information

Additional information is available from the LSA upon request. The Report may be accessed on the State Auditor's web site at:
<http://www.state.ia.us/government/auditor/reports/reports.htm>.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

AUDIT REPORT – IOWA WATER POLLUTION CONTROL WORKS AND DRINKING WATER FACILITIES FINANCING PROGRAMS

Audit Report

The State Auditor issued the FY 2003 Audit Report for the Iowa Water Pollution Control Works and the Iowa Drinking Water Facilities Financing Programs.

Reportable Condition

There was one reportable condition. The Department of Natural Resources (DNR) had not received all of the required audit reports from recipients under the federal Clean Water and the Drinking Water Programs.

- Recommendation – The DNR should implement procedures to ensure all required audit reports are received.
- Response and Corrective Action Planned – The DNR has a good system to monitor the audit reports but sometimes reports are received after the due date.
- Conclusion – Response acknowledged.

More Information

Additional information is available from the LSA upon request. The Report may be accessed on the web site at:
<http://publications.iowa.gov/archive/00001852/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

This document can be found on the LSA web site:
<http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>